

CHAPTER 25 HOUSING FUND

261—25.1(15) Purpose. The primary purpose of the housing fund, made up of federal CDBG and HOME funds, is to expand the supply of decent and affordable housing for low- and moderate-income Iowans.

261—25.2(15) Definitions. When used in this chapter, unless the context otherwise requires:

“*Activity*” means one or more specific housing activities, projects or programs assisted through the housing fund.

“*Administrative plan*” means a document that a housing fund recipient establishes that describes the operation of a funded activity in compliance with all state and federal requirements.

“*CDBG*” means community development block grant nonentitlement program, the grant program authorized by Title I of the Housing and Community Development Act of 1974, as amended, for counties and cities, except those designated by HUD as entitlement areas.

“*CHDO*” means community housing development organization, a nonprofit organization registered with the Iowa secretary of state and certified as such by IDED, pursuant to 24 CFR 92.2 (April 1, 1997).

“*Consolidated plan*” means the state’s housing and community development planning document and the annual action plan update approved by HUD.

“*HART*” means the housing application review team, a body of affordable housing funding agencies which meets to review housing proposals.

“*HOME*” means the HOME investment partnership program, authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990.

“*Housing fund*” means the program implemented by this chapter and funded through the state’s annual HOME allocation from HUD and 25 percent of the state’s CDBG allocation from HUD.

“*Housing needs assessment*” means a comprehensive analysis in a format that conforms to IDED guidelines of housing needs for one or more units of local government.

“*HUD*” means the U.S. Department of Housing and Urban Development.

“*IDED*” means the Iowa department of economic development.

“*IFA*” means the Iowa finance authority.

“*Lead-based paint*” means paint or other surface coatings that contain lead equal to or in excess of 1.0 milligram per square centimeter or more than 0.5 percent by weight.

“*Lead-based paint activities*” means, in the case of target housing and child-occupied facilities, lead inspection, elevated blood lead (EBL) inspection, lead hazard screen, risk assessment, lead abatement, visual risk assessment, clearance testing conducted after lead abatement, and clearance testing conducted after interim controls, paint stabilization, standard treatments, ongoing lead-based paint maintenance, or rehabilitation pursuant to 24 CFR 35.1340.

“*Lead-based paint hazard*” means any condition that causes exposure to lead from lead-contaminated dust, lead-contaminated soil, or lead-based paint that is deteriorated or present in accessible surfaces, friction surfaces, and impact surfaces that would result in adverse human health effects.

“Lead hazard reduction” means the reduction or abatement of lead-based paint hazards which include deteriorated lead-based paint; lead-based paint on friction surfaces, impact surfaces and accessible surfaces; and dust and soil that are contaminated with lead above a specified standard.

“Lead professional” means a person who conducts lead abatement, lead inspections, elevated blood level (EBL) inspections, lead hazard screens, risk assessments, visual risk assessments, clearance testing after lead abatement, or clearance testing after interim controls, paint stabilization, standard treatments, ongoing lead-based paint maintenance, or rehabilitation pursuant to 24 CFR 35.1340.

“LIHTC” means low-income housing tax credits and federal tax incentives created through the Tax Reform Act of 1986 and allocated through the Iowa finance authority for affordable rental housing development.

“Local support” means involvement and financial investment by citizens and organizations in the community that promote the objectives of the housing activities assisted through the housing fund.

“New construction rental units” means the on-site construction or erection of a building, or buildings, for the purpose of providing rental housing units. New construction rental units include conventional, on-site, stick-built construction and on-site erection or fabrication of manufactured housing units or components of units. New construction rental units also include the addition of any rental units outside the existing walls (the building envelope) of an existing building, or buildings, that are part of a rental rehabilitation, renovation or conversion project.

“Program income” means funds generated by a recipient or subrecipient from the use of CDBG or HOME funds.

“Recipient” means the entity under contract with IDED to receive housing funds and undertake the funded housing activity.

“Subrecipient” means an entity operating under an agreement or contract with a recipient to carry out a funded housing activity.

261—25.3(15) Eligible applicants. Eligible applicants for housing fund assistance include all incorporated cities and counties within the state of Iowa; nonprofit organizations; CHDOs; and for-profit corporations, partnerships and individuals.

1. Any eligible applicant may apply directly or on behalf of a subrecipient.
2. Any eligible applicant may apply individually or jointly with another eligible applicant or other eligible applicants.

261—25.4(15) Eligible activities and forms of assistance.

25.4(1) Eligible activities include transitional housing, tenant-based rental assistance, rental housing rehabilitation (including conversion), rental housing new construction, home ownership assistance, owner-occupied housing rehabilitation and other housing-related activities as may be deemed appropriate by IDED. Assisted housing may be single-family housing or multifamily housing and may be designed for occupancy by homeowners or tenants.

- a.* Assisted units shall be affordable.

- (1) For rental activities, all assisted units shall rent at the lesser of the area fair market rents or 30 percent of 65 percent of the area median family income and, for projects with five or more units, 20 percent of the units shall rent at the lesser of the fair market rent or 30 percent of 50 percent of the area median family income. Assisted units shall remain affordable for a specified period: 20 years for newly constructed units; 10 years for rehabilitated units receiving \$15,000 to \$24,999 in assistance; and 5 years for projects receiving less than \$15,000 per unit.

(2) For tenant-based rental assistance, gross rents shall not exceed the jurisdiction's applicable rent standard and shall be reasonable, based on rents charged for comparable, unassisted rental units.

(3) For home ownership assistance, the initial purchase price for newly constructed units and the after rehabilitation value for rehabilitated units shall not exceed 95 percent of the median purchase price as established by HUD for the same type of single-family housing in the area. Assisted units shall remain affordable through resale or recapture provisions for a specified period: 5 years for projects receiving up to \$15,000 in assistance per unit, and 10 years for projects receiving \$15,000 to \$24,999 in assistance.

(4) For owner-occupied housing rehabilitation, the after rehabilitation value of rehabilitated units shall not exceed 95 percent of the median purchase price for the same type of single-family housing in the area.

b. Assisted households shall meet income limits established by federal program requirements.

(1) For rental activities, all assisted units shall be rented to households with incomes at or below 80 percent of the area's median family income; 90 percent of the units shall be rented to households with incomes at or below 60 percent of the area's median family income and, for projects with five or more units, 20 percent of the units shall be rented to households with incomes at or below 50 percent of the area's median family income.

(2) For tenant-based rental assistance, only households with incomes at or below 80 percent of the area median family income shall be assisted; additionally, 90 percent of the households served shall have incomes at or below 60 percent of the area's median family income.

(3) For home ownership assistance and owner-occupied housing rehabilitation, only households with incomes at or below 80 percent of the area median family income shall be assisted.

c. All single-family rehabilitation must be done in compliance with Iowa's Minimum Housing Rehabilitation Standards (November 1999), and all applicable state and local codes, rehabilitation standards and ordinances, and shall, at a minimum, meet HUD Section 8 Housing Quality Standards, 24 CFR 882 (April 1, 1997). New units must be constructed pursuant to one of the standards specified at 24 CFR 92.251(a)(1) (April 1, 1997).

25.4(2) Eligible forms of assistance include grants, interest-bearing loans, non-interest-bearing loans, interest subsidies, deferred payment loans, forgivable loans or other forms of assistance as may be approved by IDIED.

261—25.5(15) Application procedure. All potential housing fund applicants are encouraged, but not required, to complete and submit a HART form describing the proposed housing activity prior to the submittal of a formal application. If the proposal is determined to be appropriate for housing fund assistance, IDIED shall inform the applicant of the appropriate application procedure by mail.

25.5(1) HART forms shall be available upon request from IDIED, 200 East Grand Avenue, Des Moines, Iowa 50309; telephone (515)242-4825.

25.5(2) HART forms are accepted year-round.

25.5(3) Applicants may request technical assistance from staff contacts in the preparation of housing fund applications.

a. If an applicant does not submit an application by the next application deadline, IDIED will determine the proposal inactive and remove it from the HART files.

b. Upon the submission of a housing fund application, no additional staff assistance shall be provided during the review period.

25.5(4) Housing fund applications shall be reviewed through an annual competition. Once funds have been allocated, IDIED will not accept applications seeking funding for review until the next established deadline.

25.5(5) For applicants requesting funding from both the housing fund and low-income housing tax credit (LIHTC) programs, the applicant may request application forms and related material from the Iowa finance authority (IFA). IFA shall forward an application package to a potential applicant and make the application package available in electronic form either by diskette or on the Internet at <http://www.ifahome.com>. The applicant must submit the completed application, with required housing fund attachments, to IFA by the deadline established in the application package.

a. IDED and IFA shall appoint a joint review team to discuss and review applications for housing fund and LIHTC funds. Staff for each agency may communicate frequently regarding common projects. Information contained in each application may be shared with each agency.

b. IDED staff shall review applications for eligibility and for activity threshold requirements. The joint review team shall meet to compare and discuss each common project. Final decisions regarding funding recommendations will be made in accordance with IFA's qualified allocation plan. Staff from each agency will make recommendations for funding to their respective decision makers. A decision by one agency does not bind the other agency to fund a project.

c. All applicants for the housing fund must meet the threshold requirements outlined in rules 25.4(15) and 25.6(15) and subrule 25.7(3) in order to be considered for award under this subrule.

25.5(6) Rescinded IAB 8/9/00, effective 7/20/00.

261—25.6(15) Minimum application requirements. To be considered for housing fund assistance, an application shall meet the following threshold criteria:

25.6(1) The application shall propose a housing activity consistent with the housing fund purpose and eligibility requirements, the state consolidated plan and any local housing plans.

25.6(2) The application shall document the applicant's capacity to administer the proposed activity. Such documentation may include evidence of successful administration of prior housing activities. Documentation of the availability of certified lead professionals and contractors trained in safe work practices may also be required. IDED reserves the right to deny funding to an applicant that has failed to comply with federal and state requirements in the administration of a previous project funded by IDED.

25.6(3) The application shall provide evidence of the need for the proposed activity, the potential impact of the proposed activity and the feasibility of the proposed activity.

25.6(4) The application shall demonstrate local support for the proposed activity.

25.6(5) The application shall show that a need for housing fund assistance exists after all other financial resources have been identified and secured for the proposed activity.

25.6(6) The application shall include a certification that the applicant will comply with all applicable state and federal laws and regulations.

25.6(7) An application for a project located in a locally designated participating jurisdiction (PJ) must show evidence of a financial commitment from the local PJ equal to 25 percent of the total HOME funds requested.

25.6(8) An application for rental rehabilitation must show 50 percent of the total cost of the activity from other sources. IDED will fund no more than 50 percent of the total activity cost.

261—25.7(15) Application review criteria. IDED shall evaluate applications and make funding decisions based on general activity criteria, need, impact, feasibility, and activity administration based upon the specific type of activity. The activity criteria shall be a part of the application. A workshop will be held at least 60 days prior to the application deadline to provide information, materials, and technical assistance to potential applicants.

25.7(1) As applicable, the review criteria for homeownership assistance applications shall include the following:

- a. General criteria.*
 - 1. Activity objectives.
 - 2. Total number of units.
 - 3. Activities and cost estimates.
 - 4. If new construction, availability of necessary infrastructure and utilities.
 - 5. Form(s) of assistance (grants, loans, amounts).
 - 6. Type(s) of assistance (e.g., mortgage buy-down, down payment, closing costs, and rehabilitation).
 - 7. Median purchase price for single-family housing in the community.
 - 8. Initial purchase price or after rehabilitation value per assisted unit.
 - 9. Mortgage lender participation documentation and underwriting standards.
 - 10. Methodology to determine maximum amount of conventional financing affordable to buyer.
 - 11. Selection criteria for participants.
 - 12. Methodology to ensure that the property will be the buyer's principal residence.
 - 13. Assurance of compliance with HUD lead-based paint hazard regulations.
 - 14. Compliance with Iowa's Minimum Housing Rehabilitation Standards (November 1999) and standards, codes, and ordinances described in 25.4(1) "c."

- 15. Activity time line.

- b. Need, impact and feasibility criteria.*

- 1. Number and percentage of low- and moderate-income persons in the applicant community.
- 2. Evidence and documentation of need for the activity.
- 3. Percentage of need to be met through the activity.
- 4. Reasons mortgage applications have been denied by local lenders.
- 5. Housing costs, housing supply, condition of available housing, and vacancy rates.
- 6. If acquisition for new construction, documentation of need for new units.
- 7. Recent or current housing improvement activities.
- 8. Description of current and ongoing comprehensive community development efforts.
- 9. Publicity promoting the proposed activity.
- 10. Number of potential participants and the method by which they were identified.
- 11. New businesses or industrial growth in the past five years.
- 12. Local involvement and financial support.
- 13. Overall vacancy rate of owner-occupied units in the community.

- c. Administrative criteria.*

- 1. Plan for activity administration.
- 2. Previous activity management experience.
- 3. Budget for administration.
- 4. Resale or recapture provisions, terms, and enforcement procedures.
- 5. Prior funding received and performance targets completed.

25.7(2) As applicable, the review criteria for owner-occupied housing rehabilitation applications shall include the following:

- a. General criteria.*

- 1. Activity objectives.
- 2. Area of benefit and reason for selection.
- 3. Condition of infrastructure in the activity area served.

4. Form of assistance to homeowners (grants, loans, amounts).
 5. Homeowner contribution methodology.
 6. Selection criteria for participants.
 7. Method to determine that the property is the homeowner's principal residence.
 8. Compliance with Iowa's Minimum Housing Rehabilitation Standards (November 1999).
 9. Assurance of compliance with HUD lead-based paint hazard regulations.
 10. Plans for properties infeasible to rehabilitate.
 11. If relocation is included, estimate of available suitable replacement housing.
 12. Documentation of local lender participation and lender's underwriting criteria.
 13. Intended use of program income.
 14. Activity time line.
 - b. Need, impact and feasibility criteria.*
 1. Evidence of need for the activity.
 2. Percentage of need to be met through the activity.
 3. Number and percentage of low- and moderate-income persons in the community.
 4. Housing costs, housing supply, condition of available housing, vacancy rate in the activity area served.
 5. Other recent or current housing improvement activities in the activity area served.
 6. Ongoing comprehensive community development efforts in the activity area served.
 7. New businesses or industries in the past five years in the community.
 8. Local involvement and financial support.
 9. Financial contribution to the activity from other sources (with underwriting criteria).
 10. Overall vacancy rate of owner-occupied units in the community.
 - c. Administrative criteria.*
 1. Plan for activity administration.
 2. Previous activity management experience.
 3. Budget for administration.
 4. List of prior CDBG and HOME funding.
 5. If application is for a continuation of a prior activity, list of performance targets completed.
- 25.7(3)** As applicable, the review criteria for rental housing assistance applications shall include the following:
- a. General criteria.*
 1. Activity objectives.
 2. Total number of units and number of assisted units.
 3. Activities and cost estimates.
 4. Eligibility criteria for renters of assisted units (income, age, disability, other).
 5. Rationale for activity location.
 6. Availability and condition of infrastructure; availability of utilities.
 7. Zoning compliance.
 8. Environmental issues.
 9. Potential tenant displacement including estimated Uniform Relocation Act (URA) costs.
 10. Accessibility.
 11. Assurance of compliance with HUD lead-based paint hazard regulations.
 12. Activity time line.

b. Need, impact and feasibility criteria.

1. Evidence of need for the activity.
2. Percentage of need to be met through this activity.
3. Number and percentage of low- and moderate-income persons in the community.
4. Housing costs, housing supply, condition of available housing, vacancy rate in the activity area served.
5. If new construction, documentation of need for new construction.
6. Other recent or current housing improvement activities in the activity area served.
7. Ongoing comprehensive community development efforts in the activity area served.
8. New businesses or industries in the past five years in the community.
9. Local involvement and financial support.
10. Opposition to the activity and plans to alleviate concerns.
11. Financial contribution to the activity from other sources (including all underwriting criteria).
12. Reason for "gap" in the activity financing; justification for housing fund request amount.
13. Overall vacancy rate of rental units in the community.

c. Administrative criteria.

1. Plan for activity administration and management.
2. Previous administrative experience.
3. Plan to ensure long-term affordability.
4. Plan for annual certification of tenant eligibility and compliance with Section 8 Housing Quality Standards.
5. Previous CDBG- and HOME-funded housing activities and current status.
6. Applicant's other rental housing activities and addresses.

25.7(4) As applicable, the review criteria for tenant-based rental assistance applications shall include the following:

a. General criteria.

1. Activity objectives.
2. Rationale for amount of assistance per beneficiary.
3. Selection criteria for participants.
4. Form of assistance (grants, loans).
5. Use of assistance (rental and security deposits, rent assistance).
6. Length of time of assistance.
7. Portability of rental assistance.
8. Rent calculation.

b. Need, impact and feasibility criteria.

1. Number and percentage of low- and moderate-income persons in the applicant community.
2. Percentage of income potential beneficiaries are currently paying for rent.
3. Area rental housing costs.
4. Availability of affordable rental housing.
5. Public housing authority waiting list.
6. Documentation of other indicators of need for Tenant-based Rental Assistance (TBRA).
7. Percentage of need to be met through this activity.
8. Alternatives to the proposed activity that were considered.
9. Coordination of this activity with other housing assistance.
10. Other providers of TBRA in the community.
11. Description of efforts to obtain additional funding from other sources for TBRA.
12. Evidence of local involvement and financial support.

13. Opposition to activity and method to address it.
 14. Economic indicators in community (unemployment rate, increase/decrease opportunity).
 15. Activity time line.
 16. Overall vacancy rate of rental units in the community.
 - c. *Administrative criteria.*
 1. Plans for administering the activity.
 2. Description of previous administrative experience.
 3. Budget for administration.
 4. Plan for annual certification of tenant eligibility and compliance with Section 8 HQS.
 5. Prior CDBG and HOME housing grants.
 6. Prior activities funded with performance targets completed.
- 25.7(5)** IDED staff may conduct site evaluations of proposed activities.

261—25.8(15) Allocation of funds.

25.8(1) IDED may retain a portion of the amount provided for at rule 261—23.4(15) of the state's annual CDBG allocation from HUD and up to 10 percent of the state's annual HOME allocation from HUD for administrative costs associated with program implementation and operation.

25.8(2) Not less than 15 percent of the state's annual HOME allocation shall be reserved for eligible housing activities proposed by CHDOs.

25.8(3) Up to a maximum of 60 percent of the state's annual HOME allocation may be reserved for rental housing activities jointly funded with HOME and low-income housing tax credits.

25.8(4) IDED will determine the appropriate source of funding, either CDBG or HOME, for each housing fund award based on the availability of funds, the nature of the housing activity and the recipient type.

25.8(5) IDED reserves the right to limit the amount of funds that shall be awarded for any single activity type.

25.8(6) Awards shall be limited to no more than \$700,000, except for new construction of rental units which is \$800,000.

25.8(7) The maximum per unit housing fund subsidy for all activity types except new construction rental units is \$24,999. The maximum per unit housing fund subsidy for new construction rental units is \$50,000 per unit. Additional funds may be used to pay the direct administration, carrying costs and the cost of lead hazard reduction.

25.8(8) Recipients shall justify administrative costs in the housing fund application. IDED reserves the right to negotiate the amount of funds provided for general and direct administration, but in no case shall the amount for general administration exceed 10 percent of a total housing fund award.

25.8(9) IDED reserves the right to negotiate the amount and terms of a housing fund award.

25.8(10) IDED reserves the right to make award decisions such that the state maintains the required level of local match to HOME funds.

25.8(11) A preaudit survey will be required of all for-profit and nonprofit direct recipients for grants that exceed \$150,000.

261—25.9(15) Administration of awards. Applications selected to receive housing fund awards shall be notified by letter from the IDED director.

25.9(1) Source of funds. Rescinded IAB 12/26/01, effective 11/29/01.

25.9(2) A contract shall be executed between the recipient and IDED. These rules, the housing fund application, the housing fund management guide and all applicable federal and state laws and regulations shall be part of the contract.

a. The recipient shall execute and return the contract to IDED within 45 days of transmittal of the final contract from IDED. Failure to do so may be cause for IDED to terminate the award.

b. Certain activities may require that permits or clearances be obtained from other state or local agencies before the activity may proceed. Contracts may be conditioned upon the timely completion of these requirements.

c. Awards shall be conditioned upon commitment of other sources of funds necessary to complete the housing activity.

d. Release of funds shall be conditioned upon IDED receipt and approval of an administrative plan for the funded activity.

e. Release of funds shall be conditioned upon IDED receipt and approval of documentation of environmental clearance.

25.9(3) Requests for funds. Recipients shall submit requests for funds in the manner and on forms prescribed by IDED. Individual requests for funds shall be made in whole dollar amounts equal to or greater than \$500 per request, except for the final draw of funds.

25.9(4) Record keeping and retention. The recipient shall retain all financial records, supporting documents and all other records pertinent to the housing fund activity for five years after contract expiration. Representatives of IDED, HUD, the Inspector General, the General Accounting Office and the state auditor's office shall have access to all records belonging to or in use by recipients and subrecipients pertaining to a housing fund award.

25.9(5) Performance reports and reviews. Recipients shall submit performance reports to IDED in the manner and on forms prescribed by IDED. Reports shall assess the use of funds and progress of activities. IDED may perform reviews or field inspections necessary to ensure recipient performance.

25.9(6) Amendments to contracts. Any substantive change to a contract shall be considered an amendment. Changes include time extensions, budget revisions and significant alterations of the funded activities affecting the scope, location, objectives or scale of the approved activity. Amendments shall be requested in writing by the CEO of the recipient and are not considered valid until approved in writing by IDED following the procedure specified in the contract between the recipient and IDED.

25.9(7) Contract closeout. Upon the contract expiration date or work completion date, as applicable, IDED shall initiate contract closeout procedures. Recipients shall comply with applicable audit requirements described in the housing fund application and management guide.

25.9(8) Compliance with federal, state and local laws and regulations. Recipients shall comply with these rules, with any provisions of the Iowa Code governing activities performed under this program and with applicable federal, state and local regulations.

25.9(9) Remedies for noncompliance. At any time, IDED may, for cause, find that a recipient is not in compliance with the requirements of this program. At IDED's discretion, remedies for noncompliance may include penalties up to and including the return of program funds to IDED. Reasons for a finding of noncompliance include the recipient's use of funds for activities not described in the contract, the recipient's failure to complete funded activities in a timely manner, the recipient's failure to comply with applicable state or local rules or regulations or the lack of a continuing capacity of the recipient to carry out the approved activities in a timely manner.

25.9(10) Appeals process for findings of noncompliance. Appeals will be entertained in instances where it is alleged that IDED staff participated in a decision which was unreasonable, arbitrary, capricious or otherwise beyond the authority delegated to IDED. Appeals should be addressed to the division administrator of the division of community and rural development. Appeals shall be in writing and submitted to IDED within 15 days of receipt of the finding of noncompliance. The appeal shall include reasons why the decision should be reconsidered. The director will make the final decision on all appeals.

261—25.10(15) Requirements for the contingency fund. Rescinded IAB 12/26/01, effective 11/29/01.

These rules are intended to implement Iowa Code section 15.108(1)“a.”

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